

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 SCI-06 AEC-11 AECE-00 EB-11 COME-00

FEA-02 ACDA-19 CIAE-00 INR-11 IO-14 L-03 NSAE-00

NSC-07 RSC-01 PM-07 SP-03 SS-20 INT-08 DRC-01 /145 W

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P R 241303Z AUG 74

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC PRIORITY 5250

AMCONSUL RIO DE JANEIRO PRIORITY

AMCONSUL SAO PAULO

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E.O.11652: N/A

TAGS: ENRG, TECH, BR

SUBJECT: AEC ENRICHED URANIUM CONTRACTING

REF: A. STATE 179078 B. BRASILIA 6115

1. SUMMARY: GOB REACTION TO AIDE MEMOIRE CONCERNING URANIUM SUPPLY HAS BEEN FAVORABLE THUS FAR. OFFICIALS INDICATED THAT AIDE MEMOIRE, WHILE NOT GIVING ABSOLUTE ASSURANCES THEY HAD HOPED FOR, WAS STRONG ENOUGH TO CALM GOB FEARS.

2. WHEN EMBASSY PRESENTED AIDE MEMOIRE (REF B) TO FOREIGN MINISTRY, AUGUST 16, INITIAL REACTION FROM BATISTA, CHIEF OF ECONOMIC DEPARTMENT, WAS THAT USG RESPONSE TO GOB CONCERNS ON CONDITIONAL CONTRACTING DID NOT MEET REQUEST FOR ABSOLUTE ASSURANCES. EMBASSY OFFICER RESPONDED THAT AIDE MEMOIRE REPRESENTED STRENGTHENED PROMISE AND HAD BEEN WRITTEN EXPRESSLY TO MEET BRAZIL'S CONCERN. HE STATED FURTHER THAN THE STATEMENT DID GIVE A CLEAR ANSWER TO THE GOB'S DOUBT AS TO WHAT US SUPPLY SOURCES WOULD BE USED IF PLUTONIUM RECYCLE NOT APPROVED. BATISTA SAID HE APPRECIATED THAT AIDE MEMOIRE WAS AN ATTEMPT TO REINFORCE ASSURANCES AND TO RESPOND TO GOB CONCERNS BUT HE WOULD HAVE TO CONSULT WITH MINISTRY OF MINES AND

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ENERGY BEFORE GIVING OFFICIAL REACTION.

3. FOLLOWING PRESENTATION OF AIDE MEMOIRE TO FOREIGN MINISTRY. CONGEN RIO DELIVERED COPIES TO FURNAS PRESIDENT, DR. CLAUGIO MAGALHAES, AND CNIN COMMISSIONER, ANDRADE RAMOS. AT SAME TIME AMBASSADOR SEND COPY TO MINISTER OF MINES AND ENERGY UEKI. REACTION OF FURNAS PRESIDENT TO CONTENT OF AIDE MEMOIRE WAS FAVORABLE ALTHOUGH HE STATED THAT BEFORE MAKING ANY OFFICIAL COMMENT, HE WOULD FIRST HAVE TO DISCUSS MATTER WITH MINISTER UEKI. IMMEDIATE CONCERNS OF FURNAS PRESIDENT REGARDING SUBJECT WERE (A) THE DATE OF WHICH AEC IS PREPARED TO RESUME NEGOTIATIONS FOR NEW CONTRACT, (B) THE PROCEDURES TO BE ADOPTED IN UTURE NEGOTIATIONS AND (C) THE NEW CLAUSES TO BE INCLUDED IN CONTRACTS. COMMISSIONER RAMOS, AFTER READING AIDE MEMOIRE CAREFULLY, TOOK IT TO CNEN CHAIRMAN, CARVALHO. A FEW MINUTES LATER HE RETURNED AND STATED THAT PROFESSOR CARVALHO HAD REACTED FAVORABLY TO IT.

4. REGARDING NEGOTIATIONS FOR NUCLEAR ENERGY SEMINAR, PROFESSOR CARVALHO STATED, ACCORDING TO COMMISSIONER RAMOS, THAT THEY SHOULD PROCEED NORMALLY. CONGEN OFFICERS ARE NOW FINALIZING ARRANGEMENTS FOR SEMINAR. (BEFORE DELIVERY OF AIDE MEMOIRE, CARVALHO HAD INDICATED THAT IT MIGHT NOT BE ADVISABLE TO GO AHEAD WITH THE SEMINAR IN VIEW OF THE SUPPLY CONTROVERSY.)

5. DURING PAST FEW DAYS, AMBASSADOR HAS RECEIVED FAVORABLE RESPONSES RE AIDE MEMOIRE FROM BOTH BATISTA AND MINISTER OF MINES AND ENERGY UEKI. BATISTA SAID ON AUG. 19 THAT US RESPONSE WAS VERY "USEFUL" TOWARD RESOLVING GOB UNCERTAINTIES REGARDING FUEL SUPPLY FOR LIGHT WATER REACTOR PROGRAM, AND HE EXPRESSED THANKS FOR THE DOCUMENT. ON AUGUST 22, MINISTER UEKI TOLD AMBASSADOR THAT THE AIDE MEMOIRE WAS VERY GOOD, THAT HE HAD SENT IT TO FURNAS' OFFICIALS, AND THAT HE BELIEVED THERE WOULD BE NO PROBLEM WITH THE US RESPONSE.

6. COMMENT: EMBASSY BELIEVES ON EVIDENCE TO DATE THAT OUR DEMARCHES, SUPPORTED ESPECIALLY BY AIDE MEMOIRE HAVE BEEN SUFFICIENT THUS FAR TO ALLAY CENTRAL GOB WORRY OVER CONDITIONAL CONTRACTING, I.E., THAT MAJOR FINANCIAL AND POLITICAL INVESTMENT IN LIGHT WATER REACTOR PROGRAM WAS BEING JEOPARDIZED BY ABSENCE OF US COMMITMENT TO LIMITED OFFICIAL USE

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SUPPLY ENRICHMENT SERVICES. WE WOULD EXPECT FURTHER REACTIONS FROM GOB FOLLOWING RECEIPT OF AEC LETTER TO FURNAS.

7. REGARDING AEC VISIT TO BRASILIA PRIOR TO RIO SEMINAR (STATE 178936) EMBASSY WILL ADVISE ERLEWINE THAT, WHEN COMMENTING ON URANIUM CONTRACTING, HE SHOULD ADHERE TO SUBSTANCE OF AIDE MEMOIRE. CRIMMINS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: URANIUM, NUCLEAR ENERGY, AGREEMENT DRAFT, NUCLEAR COOPERATION PROGRAMS, CONTRACTS, AIDE MEMOIRE, GOVERNMENT REACTIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 24 AUG 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BRASIL06445
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740234-0890
From: BRASILIA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740820/aaaaaqxl.tel
Line Count: 114
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: A. STATE 179078 B. BRASILIA 6115
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 12 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12 SEP 2002 by rowelle0>; APPROVED <26 FEB 2003 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: AEC ENRICHED URANIUM CONTRACTING
TAGS: ENRG, TECH, BR, US, AEC
To: STATE SAO PAULO
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005